

**October 23, 2009**

**Subject:** State Reporting of Supplemental Nutrition Assistance Program (SNAP)  
Benefits Funding in Connection With A-133 Single Audits

**To:** Regional Administrators  
All Regions

This memorandum provides guidance on reporting expenditures of SNAP benefits funds in order to comply with reporting requirements of Office of Management and Budget (OMB) Circular A-133 and OMB guidance implementing the American Recovery and Reinvestment Act of 2009 (ARRA).

Background

1. Unlike other FNS programs receiving ARRA funding, SNAP benefits generally do not pass through the hands of State administering agencies. They are normally handled by the State's electronic benefits transfer (EBT) processor. Nevertheless, these funds must be viewed as Federal assistance awards to States because:
  - a. A State agency administering SNAP is responsible to FNS for the performance of its EBT processor, regardless of whether SNAP benefits funds actually pass through the State treasury; and
  - b. Authoritative sources require it. Specifically:
    - (i) The Federal cost principles require that a cost be determined in accordance with Generally Accepted Accounting Principles (GAAP) in order to be allowed as a charge to a Federal program. (2 CFR Part 225 (OMB Circular A-87), Appendix A, section C.1.g.)
    - (ii) GAAP calls for a State to recognize expenditures of Federal SNAP benefits funds in its financial statements when participating households use the benefits. (Governmental Accounting Standards Board (GASB) Statement 24 (*Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*), June 1994, paragraph 6)

As a Federal assistance award, the expenditure of SNAP benefits funding must be reported in a State's Schedule of Expenditures of Federal Awards (SEFA) and in Item 9 of Part III on its Data Collection Form for Single Audits (SF-SAC). This reporting is required by OMB Circular A-133, codified by USDA at 7 CFR Part 3052. The specific requirements are cited at 7 CFR sections 3052.310(b) and 3052.320(b), respectively.

2. OMB implementing guidance at 2 CFR section 176.210(a) requires all recipients of ARRA funds to separately identify these funds throughout the grant cycle in order to “maximize the transparency and accountability of funds authorized under the [ARRA].” For recipients of incremental ARRA funds for existing programs, this entails maintaining separate accountability for the programs’ regular and ARRA components from receipt of the award through expenditure and final reporting.
3. Section 176.210(b) of the OMB guidance requires recipients subject to the Single Audit Act Amendments of 1996 and OMB Circular A-133 to “separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133.... This shall be accomplished by identifying expenditures for Federal awards made under the Recovery Act separately on the SEFA, and as separate rows under Item 9 of Part III on the SF-SAC by CFDA number, and inclusion of the prefix ‘ARRA-’ in identifying the name of the Federal program on the SEFA and as the first characters in Item 9 of Part III on the SF-SAC.”
4. It has come to our attention that the FNS mechanism for disbursing SNAP benefits funding to States poses a systemic obstacle to States complying with these reporting requirements. FNS uses an algorithm to determine national aggregate Federal expenditures of regular and ARRA funds for SNAP benefits. Because this methodology would not generate valid results at the individual State level, however, SNAP benefits funding is made available to a State in a single lump sum. The State has no idea of the lump sum’s regular and ARRA components.

### Guidance

A State shall report its total (lump sum) expenditures for SNAP benefits in the body of the SEFA and in Part III, Item 9 (Federal Awards Expended During the Fiscal Year) of the SF-SAC; and shall include the following statement as a Note to the SEFA:

“The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP)(CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The mechanism used by USDA to make these funds available to States does not enable a State to validly disaggregate the regular and Recovery Act components of this figure. At the national aggregate level, however, Recovery Act funds account for approximately 15 percent of USDA’s total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2009.”

This note will require updating when the algorithm is run for Fiscal Year (FY) 2010. We will furnish the updated national aggregate ARRA percentage in time for States to use it in their FY 2010 SEFAs.

Please ensure that this memorandum is shared with your SNAP and Financial Management staffs, SNAP State partners, their auditors, your OIG contacts, and any other interested parties.

Please direct inquiries on this matter to Lael Lubing, Director, Grants and Fiscal Policy Division, at (703) 305-2161 or lael.lubing@fns.usda.gov.

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